

## **DRAFT PREAMBLE LANGUAGE REGARDING REPLACEMENT OF AEL**

### **Replacement of Allowable Expense Level (AEL)**

The IHBG Formula currently uses an adjustment factor known as the Allowable Expense Level (AEL), which serves as a proxy for the per-unit per-month dollar amount of expenses incurred by an Indian tribe to operate affordable housing. The use of the AEL is a carry-over from the Performance Funding System (PFS) under which HUD, prior to enactment of NAHASDA, provided operating subsidy to Indian Housing Authorities. Neither HUD nor Indian tribes are satisfied with use of the AEL, since it does not accurately measure the costs of operating housing. HUD and the tribes are committed to replacing the AEL with a more accurate, asset-based measure of the costs to operate well-run housing in tribal areas. At this time, however, the data and methodologies necessary to implement such a system have not been developed. Accordingly, this rule does not propose changes to the AEL. HUD has begun to undertake a comprehensive cost study of well-run tribal housing. HUD will consult with, and seek the active participation of, Indian tribes, Tribally Designated Housing Entities, and other Native American and Alaska Native organizations in the development and implementation of the cost study. HUD will make its best efforts to implement a replacement for the AEL by Fiscal Year 2007.